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Noriega Opens Bank, Perhaps For Laundering

By William Branigin
 Washington Post Foreign Service

PANAMA CITY, Jan. 26—Gen. Manuel Antonio Noriega, the Panamanian strongman indicted in the United States last year on drug-trafficking charges, has opened his own bank here in what U.S. and Panamanian sources see as a move to expand military control over the economy and, possibly, corner a revived drug-money laundering business.

The new Banco Institucional Patria opened to the public Jan. 16 as a general-license bank offering a variety of services. An official announcement of the bank's opening listed Noriega as "president of the board of directors," with a senior member of his general staff, Col. Marcos Justine Fernandez, as vice president. Justine is known as the financial manager of the Panama Defense Forces, which Noriega commands.

The announcement, dated Jan. 12, described the bank as a "private entity" belonging to the Defense Forces Benevolent Society and as a successor to the Panamanian military credit union. The letter, which was circulated to Panamanian financial institutions, said the new bank's services would include savings and current accounts, Christmas savings accounts, certificates of deposit, letters of credit, mortgages, national and international transfers and loans for small and medium-sized businesses.

"It's a full-service bank for money-laundering activities," said a knowledgeable U.S. official. "The

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idea is to cut out the middleman." He asserted that the military is "trying to corner the market on money-laundering," which he said is "flourishing right now."

Other U.S. officials and Panamanian banking sources said they believed the new bank was Noriega's response to a U.S. sting operation last year against an international bank that he used to launder millions of dollars in drug cash, the Luxembourg-based Bank of Credit and Commerce International. The sting resulted in money-laundering indictments in Tampa, Fla., in October against 84 persons, including several associates of Colombia's Medellin drug cartel and nine senior officials of the Luxembourg bank, including Amjad Awan, its former Panama branch officer who served as Noriega's personal banker, handling a \$20 million Defense Forces account at the bank.

"This way, he [Noriega] can control who knows what. . . . He doesn't have to deal with outsiders anymore," said one highly placed American banking source familiar with the new Noriega bank. "Somebody

used the phrase 'made in heaven' He can do wonders with this."

Another view, however, is that the main aim of the new bank will be to consolidate greater control over the Panamanian economy in the hands of Noriega and his military backers, freezing out opponents who have long been prominent in business and banking. According to Panamanian banking sources, signs already have emerged that the new bank intends to monopolize loans to the agricultural sector, which would give Noriega and his supporters increased control over the Panamanian interior.

In any case, U.S. and Panamanian sources said, the opening of the Banco Institucional Patria coincides with a revival of drug-money laundering here in recent months following a period last year in which billions of dollars in offshore holdings fled the country, banks closed for nine weeks to prevent a massive run and U.S. economic sanctions starved the government of cash.

Now, although the dollar-based economy generally is still depressed and U.S. sanctions are still in place, banks are flush with cash, and the Noriega government's ability

to do business appears to be growing, the sources said. Ironically, Panamanian bankers said, the sanctions appear to have helped loosen restraints on the laundering of drug money in Panama, long a center of operations for narcotics financiers.

"One of the things the sanctions have done is to make it much easier to launder money in Panama," said a top Panamanian banker with connections to the anti-Noriega opposition. "All the banks are flooded with money now. Who controls where this cash is coming from? Nobody cares anymore."

"Noriega is getting money in here in various ways," said a well-informed U.S. official. "Panama is still exporting agricultural production, and he has access to a great deal of drug-related money that he's using to keep things going. He has arranged for a fairly steady flow of funds from the drug lords in Colombia to meet his urgent needs."

"If it's a bank controlled by the military, nobody's going to dare to look at their books," said a prominent local businessman. "They can do anything they want."

According to a well-placed U.S. source, the amount of cash in Panama City has bal-

looned to between \$3 billion and \$4 billion in recent months, as much as 10 times the U.S. government's official estimates of \$300 million to \$400 million.

The new bank's announcement letter, a copy of which was provided to The Washington Post, was signed by its "general manager," Simon Vega, whom banking sources described as a longtime associate and financial adviser to Noriega. Vega worked for about eight years for the Panama branch of the First National Bank of Chicago in the late 1970s and early 1980s, then became the director of Panama's internal revenue service, a former associate said.

His older brother, Guillermo Vega, is the Panamanian ambassador in London and is reputed to handle Noriega's financial interests in Europe, where the general maintains property and bank accounts in several countries, informed sources said.

While Simon Vega worked for First National of Chicago, he dealt mostly with offshore banking, a banker said. "One of his strengths is international business," the source said.

However, this source said he doubted Noriega would bank his personal wealth in the new institution. If he did so, "he would be a coup away from losing his money," the banker said. He also said it would be "very

obvious" if the new bank began large-scale money-laundering operations.

In large part, this source said, the formation of the new bank "follows a tendency of the military to take over a lot of important things in Panama. Most of the things they do are for control purposes."

Possible indications of where the bank may be headed came in a series of decrees in the government's official gazette in November and December. The decrees authorized two government agricultural institutions to seek credit lines totaling \$50 million from the then unopened bank without competitive bidding.

Where the bank itself would obtain those funds is not made clear. The announcement of the bank's opening listed its total assets as \$15.8 million, believed to represent the assets of the former military credit union, and start-up capital of \$5.2 million.

Another government decree, published Dec. 12, authorized the planning and education ministries to negotiate financing with the new bank—again without competitive bids—for the construction of two new ministry buildings worth about \$34.5 million.

Panama's construction industry has long been known as a major vehicle for money laundering.

Staff writer Michael Isikoff contributed to this report in Washington.